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The Five Financial Statements based on IFRS and How They are Prepared

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Abstract.

Companies must have financial statements that are useful for disclosing information on the financial condition of a company. Financial statements reflect the form of management's responsibility in using the resources entrusted to manage an entity. According to IFRS, there are 5, namely Income Statement which aims to determine the profit or loss of a company, Statement of change in Equity which aims to determine changes in the capital of a company within a certain period, Statement of Financial Position which aims to show the financial position of a company in a period, Statement of Cash Flow which aims to provide information related to cash receipts and disbursements of a bookkeeping, and the last Noted to Financial Statement which is useful for containing information that usually descriptive in nature, relating to general company information.

Keywords : Financial Statement, Income Statement, Statement of Change in Equity, Statement of Financial Position, Statement of Cash Flow, Noted to Financial Statement

1. INTRODUCTION

The financial report of a company is a document used to analyze the financial performance and position of an entity so that it can provide information about the financial position. Financial reports are used by stakeholders, including shareholders, investors, \customers, suppliers, governments, stock exchanges, and other relevant stakeholders. According to Tibiletti et al (2021), financial statements are the result of the accounting process that is used as a means of communicating between data or financial activities of a company and the parties with an interest in the company.

According to Ni Kadek, et al, financial statements aim to provide information related to the financial position (balance sheet), company performance (income statement), and changes in the financial position of a company that is useful for a large number of users in making economic decisions. The financial statements reflect the form of management's responsibility in using the resources entrusted to manage an entity.

The purpose of financial statements is to provide various information, including:

1. Type and amount of assets (assets), liabilities and capital owned by the company at this time
2. The type and amount of income earned by the company in a certain period.
3. Total costs and types of costs incurred by the company in a certain period.
4. Changes that occur in the company's assets, liabilities, and capital.
5. The performance of the company's management and records of the company's financial statements in a certain period.

Financial reports that are generally prepared by companies are divided into five types of reports and are provided sequentially, including:

1. Income Statement, is a summary of income and expenses for a certain period of time.
2. Statement of Owner's Equity, is the amount of change in owner's equity that occurred during a certain period of time.
3. Statement of Financial Position, is the number of assets, liabilities, and owner's equity at a certain time period.
4. Statement of Cash Flows, is a summary of cash receipts and payments for a certain period of time.
5. Other notes and reports as well as explanatory materials that are part of the financial statements.

In this journal, we will discuss the five types of financial statements and provide examples of how to prepare a company's financial statements according to IFRS rules.

2. LITERATURE REVIEW

2.1. Income Statement

The income statement reports three main financial information namely income, expenses, and profit or loss for a certain period of time. The usefulness of the income statement, including:

1. Source of information for investors and creditors to forecast the amount, timing and uncertainty of future cash flows in several ways, namely:
   a. Evaluating the company's past achievements.
   b. Determine the risk (level of uncertainty) of failure to achieve the target.
2. Assessment for customers determines the company's ability to meet the demand for goods and services needed.

The income statement has two forms, namely

1. Multiple Steps, the form of an income statement that performs several groupings on income and expenses that are neatly arranged so that net income can be calculated
2. Single Step, this form is simpler where only separated between :
   a. Revenues and profits
   b. Costs and losses

The Income Statement Components consist of:

1. Sales revenue
2. Cost of goods sold
3. Gross profit
4. Operating Expenses
5. Operating Profit
6. Other Income and Benefits
7. Other Expenses and Losses
8. Profit from Continuing Operations before Income Tax
9. Income Tax on Continuing Operations
10. Profit from Continuing Operations
11. Discontinued Operation
12. Amazing Posts
13. Net Profit and Loss
14. Earnings per Share

2.2. Statement of Change in Equity

Statement of changes in capital is a type of financial report that shows changes in the capital of a business in a certain period, which includes comprehensive income, investments and distributions to and from owners. This report is made after the income statement but is made before the balance sheet, because the data used are related to each other. The results of the income statement become initial data for the Statement of Changes in Capital, while the results of the calculation of capital at the end of the period become data for the Balance Sheet.

The statement of changes in equity is presented to show:

1. Profit or loss in the related period
2. Revenues and expenses recognized in equity
3. The effect of changes in accounting policies and error correction on each component of equity
4. Reconciliation between the beginning and end of the period carrying amounts are disclosed separately.

2.3. Statement of Financial Position

The balance sheet is a systematic report consisting of assets, liabilities and capital of the company for a certain period (Ramadhani et al., 2021). The balance sheet is also called the statement of financial position because it shows the net worth of a company.

The purpose of a balance sheet is to show the financial position of a company over a period, usually at the end of a fiscal year or calendar year. The balance sheet in financial statements provides a useful basis for:

1. Calculating the rate of return
2. Assess the company's capital structure
3. Establish liquidity and financial flexibility

Assets, Debt, and Capital are the there parts of balance sheet (Putra, 2020). Below is the explaination if the three part of Balance Sheet:

1. Assets are assets or assets (tangible and intangible assets) owned, including expenses that have not been allocated or costs that will be allocated in the future, and are divided into:
   a. Current assets are cash and other assets that can be liquidated or sold within one year.
   b. Fixed assets are assets that are physically visible (concrete) and are used in operations, are permanent and cannot be used up in one cycle of activity or one year.
   c. Intangible fixed assets are assets that are not physically visible, but have value and are used in company activities.
   d. Other assets
2. Debt is the company's obligations to other parties related to unfulfilled finances originating from creditors (Safira et al., 2020). Debts or liabilities can be divided into:
   a. Current liabilities/short term debt are financial obligations which are repaid

within one year from the balance sheet date.
   b. Long-term debt is a financial obligation whose repayment period exceeds one year.
3. Capital is the right or property of the owner of the company which is allocated for the sustainability of the company.

2.4. Statement of Cash Flow

According to Sofyan Syafari Harahap (2006), cash flow is a report that provides information related to receipts and expenses of a bookkeeping by classifying transactions in operational, financing and investment activities.

According to Donald E. Kieso et al (2008), the cash flow statement reports receipts, payments and net changes in cash originating from operating, investing, and financing activities during a certain period in a format that reconciles the ending cash balance.

The benefit of the cash flow statement is to know the cash and non-cash transactions that occur and to know the company's ability to:
1. Generate cash in the future,
2. Paying dividends, and
3. Pay off obligations / debts.

There are three classifications of activities in cash flow, including:
1. Operational Activities
   is the main income generating activity of the company that affects cash flows from transaction events or other conditions that affect the income statement. Sometimes one type of transaction can affect several activities, such as sales of fixed assets which are included in investment activities and operating activities because the resulting profits affect profit and loss.
   Examples of cash flows from operating activities include:
   a. Cash receipts from royalties, fees, sales of goods and services, commissions, rentals and sales of assets, and other income
   b. Cash payments related to taxes, supply of goods and services, manufacturing or to acquire assets, as well as to employees
   c. Cash receipts and payments related to trade and insurance contracts
   d. And others related to operations
2. Investment Activities
   Relates to the receipt and disbursement of cash resources aimed at increasing future income and cash flows. Examples of transactions that are included in investment activities include:
   a. Cash payments to purchase property, plant and equipment, intangible assets, non-current assets, including development costs and self-constructed fixed assets, and purchase debt instruments or equity instruments (investments in bonds or stocks)
   b. Cash receipts from the sale of fixed assets, debt instruments and equity instruments
3. Funding Activities
   In relation to liability and owner's equity items which include:
   a. acquisition of capital from the owner and compensation with a return on investment value
   b. borrowing money from creditors and paying debts
   Examples of transactions in financing activities, including:
   a. Cash receipts from the issuance of shares, bonds, loans, notes, mortgages, or other instruments and capital
   b. Cash payments to shareholders to redeem company shares
   c. Cash payments by the lessee relating to finance leases
   d. Loan repayment

2.5. Noted to Financial Statement

The notes to the financial statements provide additional information needed by creditors or shareholders regarding the accounting methods used in recording financial statements. The additional information is descriptive in nature and is reported in narrative form so that it is not found in the basic financial statements.

The Indonesian Institute of Accountants (2004) adds that the notes to financial statements must be presented economically where each item in the balance sheet, related to the budget realization report and cash flow statement, must be in accordance with the information in the notes to the financial statements.

Basic financial statement documents have different functions for different types of businesses, including for:

1. Company: shows the changes made to the company's share capital, retained earnings, and accumulated reserves
2. Sole trader: shows the change in owner's equity.
3. Partnership: shows the change between the equity of the two partners.

Types of records that are usually attached by management as supporting data, namely:
1. Information regarding the details of the balance sheet, figures presented in the notes to the financial statements, both in the form of numerical data and descriptive data (in narrative form) and is the type of record that is most often used. Quantitative data in the financial statement records is useful in supporting the total amount data in the balance sheet.
2. Summary of accounting policies, containing information on accounting principles and methods applied in the preparation of the company's financial statements. This information should be disclosed to users and become an integral part of the financial statements.
3. Information on items that cannot be reported**,** because they fail to meet the recognition criteria to be recorded in the financial statement accounts, but are still considered significant for users of financial statements in the decision-making process
4. Other complementary information, including information on the company's business segments, for example information on market segments, and so on.

3. METHODS

The methods of making each type of financial report that are usually prepared and presented in each report include:

3.1. Income Statement

The income statement consists of elements of income and elements of operating expenses where operating income is reduced by operating expenses will generate operating profit.

"Net Profit = Operating Income – Operating Expenses"

Details:
1. Income is the increase in wealth received from an activity, for example from the sale of products or services. Revenue can come from:
   a. Operating revenues
   b. Rental Income
   c. Interest income
2. Expenses are sacrifices that must be made to obtain goods and services used in one period. The load consists of:
   a. Salary expense
   b. Advertising expenses
   c. Office Rental Expenses
   d. Utility Load
   e. Miscellaneous Burden
3. Net Profit is the profit earned from operating income minus operating expenses.

The following are examples / illustrations of the two types of income statements, including:

1. "Single Step"

"Net Income = (Revenue + Profit) – (Expense + Loss)"

Income statement

Operating revenues	IDR XXXX			
Interest Profit	IDR XXXX	+		
Total Income			IDR XXXX	
Cost of Materials	IDR XXXX			
Operating Expenses	IDR XXXX			
Building Rental Expenses	IDR XXXX			
Incidental Losses	IDR XXXX	+		
Total Operating Expenses			IDR XXXX	-
Net Income			IDR XXXX	

2. "Multiple Step"

"Gross profit = Net sales – Cost of Goods Sold"

"Operating income = Gross Profit – Operating Expenses"

"Net income = Operating Income – Non-Operating Items"

Income statement

Gross Sales Revenue	IDR XXXX		
Return	IDR XXXX -		
Net Sales Revenue		IDR XXXX	
Cost Of Materials		IDR XXXX	-
Gross Profit On Sales		IDR XXXX	
Operating Expenses:			
Administrative Burden	IDR XXXX		
Selling expenses	IDR XXXX +		
Total Operating Expenses		IDR XXXX	-
Operating Income		IDR XXXX	
Non-Operational Expenses			
Building Rental Expenses		IDR XXXX	-
Net Income		IDR XXXX	

3.2. Statement of Change in Equity

The statement of changes in equity consists of elements of initial capital, net income, prive.

Capital Change

Initial Funds		xxxxx
Net Profit	xxxxx	
Prive	xxxxx	–
Capital Growth		xxxxx +
Definitive Funds		xxxxx

Details :
1. Capital is the prosperity of the owner's company that is invested or deposited into the company he owns
2. Net Profit is the deviation between income earned and operating expenses incurred
3. Prive is the withdrawal of company money for the personal interest of the company owner.

3.3. Statement of Financial Position

In general, the Statement of Financial Position report contains three elements of information, namely assets, liabilities and company capital.

"Assets = Liabilities + Equity"

Details :
1. Examples of Corporation Assets include:
   a. Cash
   b. Accounts receivable
   c. Office supplies
   d. Prepaid insurance
   e. Office equipment
2. Examples of Obligations include:

   a. Accounts payable
   b. Rent Accepted In Advance
3. Equity contains information that records the resources supported by the owner and invested in the entity by recording the accumulated gain or loss.

In preparing the Statement of Financial Position, it is divided into 2 sides, namely the asset side and the liability side. The asset side is a list of assets owned by the company at a certain time, while the passive side is the source from which these assets are obtained. The sources of wealth consist of 2 major groups, namely debt and capital. Therefore, the number of assets and passives must always be the same and in balance..

Statement of Cash Flow

Cash flow is a breakdown that shows the amount of income and expenses in a certain period. there are 3 components in cash flow, namely:

1. Operating Activities Cash Flow
2. Investment Activities Cash Flow

Statement of Financial Position	
Asset	**Liabilities + Equity**
Current Assets	**Liabilities**
Trading Supplies	Land And Building Tax Debt
Current Fund	Employee Incentives/Bonuses
Fixed Assets	Vehicle Loans
Soil	
Building	**Equity**
Vehicle	Owner's Funds
Office Equipment	Retained Profit
Intangible Fixed Assets	+
Copyright	
Business Permit	
Other Assets	
Current Fund	
Total Asset = IDR ABCD	Total Liabilities + Equity = IDR ABCD

3. Funding Activities Cash Flow

These are the steps to make a cash flow report

CASH FLOW STATEMENT

Cash Flow from Operating Activities	
Cash In from Income	xxx
Cash Out of Expenses	(xxx) -
Net Cash from Operating Activities	xxx
Cash Flow from Investing Activities	
Land Purchase	xxx
Equipment Purchase	xxx +
Net Cash from Investing Activities	xxx -
Cash Flow from Funding Activities	
Owner's Investment	xxx
Prive	xxx -
Net cash from Funding Activities	xxx +
Final Cash	xxx

3.4. Noted to Financial Statement

Notes to this Financial Statement contain general information related to the reported company/ business along with information on calculation methods that need to be additional notes for stakeholders in order to understand more clearly the readings of the Company's Financial Statements.

4. RESULT AND DISCUSSION

4.1 Result

The following is an example of a trial balance from the stationery company PT ABC during February 2022 in the current year.

No	Account	Adjusted Trial Balance	
		Debet	Credit
1	Cash	IDR 11.650.000	
2	Account Receivable	IDR 1.825.000	
3	Merchandise Inventory	IDR 4.000.000	
4	Supplies	IDR 3.700.000	
5	Prepaid Rent	IDR 11.000.000	
6	Equipment	IDR 18.000.000	
7	Accumulated Depreciation - Equipment		IDR 11.100.000
8	Vehicle	IDR 6.000.000	
9	Account Payable		IDR 20.200.000
10	Equity		IDR 21.000.000
11	Income Summary		
12	Sales		IDR 22.275.000
13	Purchase	IDR 5.000.000	
14	Salaries Expense	IDR 3.000.000	
15	Utilities Expense	IDR 600.000	
16	Rent Expense	IDR 1.000.000	
17	Supplies Expense	IDR 5.300.000	
18	Depreciation of Vehicle Expense	IDR 100.000	
19	Accumulated Depreciation - Vehicle		IDR 100.000
20	Depreciation of Equipment Expense	IDR 300.000	

From the trial balance, a financial report for PT ABC can be compiled for the month of February 2022.

1. **Income Statement**

PT ABC Income Statement February 28,2022					
Sales				IDR	22.275.000
Cost Of Good Sold					
	Merchandise Inventory, Feb 1	IDR	7.200.000		
	Purchase	IDR	5.000.000		
	Merchandise Inventory, Feb 28	IDR	4.000.000		
	Cost of Good Sold			IDR	8.200.000
Gross Profit on Sales				IDR	14.075.000
Expenses					
	Rent Expense	IDR	1.000.000		
	Supplies Expense	IDR	5.300.000		
	Salaries Expense	IDR	3.000.000		
	Utilities Expense	IDR	600.000		
	Depreciation of Vehicle Expense	IDR	100.000		
	Depreciation of Equipment Expense	IDR	300.000		
	Total Expenses			IDR	10.300.000
Net Income				**IDR**	**3.775.000**

2. **Statement of Change in Equity**

PT ABC Statement of Equity February 28,2022		
Capital Beginning	IDR	21.000.000
Add : Net Income	IDR	3.775.000
Capital Ending	**IDR**	**24.775.000**

3. Statement of Financial Position

PT ABC Statement of Financial Position February 28,2022									
Assets							**Liabilities & Equity**		
Cash				IDR	11.650.000	Liabilities			
Account Receivable				IDR	1.825.000	Account Payabe		IDR	20.200.000
Merchandise Inventory				IDR	4.000.000				
Supplies				IDR	3.700.000				
Prepaid Rent				IDR	11.000.000				
Equipment		IDR	18.000.000						
Less :	Accumulated Depreciation - Office Equipment	IDR	(11.100.000)	IDR	6.900.000				-
Vehicle		IDR	6.000.000						
Less :	Accumulated Depreciation - Office Equipment	IDR	(100.000)	IDR	5.900.000	Equity		IDR	24.775.000
									-
	Total Assets			**IDR**	**44.975.000**	**Total Liabilities & Equity**		**IDR**	**44.975.000**

4. Cash Flow Statement

PT ABC Cash Flow Statement February 28,2022			
Operations			
Cash receipts from			
	Cash from Customers		IDR 20.450.000
Cash paid for			
	Inventory Purchase	IDR 1.000.000	
	Prepaid Rent	IDR 12.000.000	
	Advertising Expense	IDR 200.000	
	Supplies	IDR 4.500.000	
	Utilities Expense	IDR 600.000	
	Salaries Expense	IDR 3.000.000	
	Account Payabale	IDR 1.500.000	IDR 22.800.000
Net Cash Flow from Operations			**IDR (2.350.000)**
Investing Activities			
Cash Paid For			
	Vehicle		IDR (6.000.000)
Net Cash Flow from Investing Activities			**IDR (6.000.000)**
Increase (Decrease) from Cash			IDR (8.350.000)
Cash Beginning			IDR 20.000.000
Cash Ending			**IDR 11.650.000**

5. Noted to Financial Statement

PT ABC
Noted to Financial Statement
February 28,2022

1. General Information

PT ABC is a company engaged in the production of stationery.

PT ABC's vision: to be a company that provides the highest quality and international standard stationery

PT ABC's mission

1. Integrating human and natural resources to produce quality products
2. Prioritizing customer satisfaction

PT ABC

Noted to Financial Statement (Continue) February 28,2022
2. Overview of Important Accounting Policies A. Financial reports are prepared in accordance with IFRS (International Financial Reporting Standards). B. Cash and cash equivalents include cash. C. Revenue is recognized based on the delivery of goods to the buyer. Expenses are recognized when incurred. D. Assets consist of cash, trade receivables. Liabilities consist of bank loans. E. Fixed assets, equipment and vehicles are depreciated using the straight-line method with an economic life of 5 years.

4.2 Discussion

The financial report is a document used to analyze the performance and position of an entity to provide information about the financial statement. Preparing the financial statements, PT ABC made an adjusted trial balance for February 2022. From the trial balance, the financial statements were obtained, namely:

1. Profit/Loss Report
   From this report, during February PT ABC earned a profit of IDR 3.775.000. This profit was obtained from the company's total sales of IDR 22.275.000 less Cost of Good Sold of IDR 8.200.000 and Expense from Operation of IDR 10.300.000.
2. Capital change report
   From the report, it can be seen that there was an increase in the company's capital of IDR 3.775.000 came from net income.
3. Statement of financial position
   From the report, it can be seen that the amount of assets owned by the company is IDR 44.975.000 which consists of cash, accounts receivable, merchandise inventory, supplies, prepaid rent, equipment, and vehicles. Meanwhile, the amount of liability is IDR 20.200.000 and the amount of equity is IDR 24.775.000.
4. Cash flow statement
   From the report, it can be seen that the company's cash decreased by IDR 8.350.000. This decrease came from operations, decreased by IDR 2.350.000 and from investment activities by IDR 6.000.000
5. Notes to financial statements
   From the report, we know the general description, and the methods used by the company in making financial statements.

4. CONCLUSSION

There are five types of financial statements that are usually used by companies or business units as information for stakeholders in knowing the company's current financial position and for forecasting cash flows in the future according to the IFRS version, namely:

1. The Income Statement is used to find out the profit of a business by deducting operating income by operating expenses.
2. Report on changes in capital is a report showing changes in capital of a business in a certain period which includes comprehensive income, investment, and distributions to and from company owners. This report is made by means of capital plus the difference between profit and private.
3. Statement of financial position has three main components where the

value of assets is equal to the sum of liabilities and equity.
4. Statement of Cash Flow, details that show the amount of cash income and expenditure by calculating all cash income and expenses in operating, investing and funding activities that affect changes in cash value.
5. Notes to Financial Statements contain information, which is usually descriptive in nature, related to general company information (type, vision, mission, etc.) and methods used in calculating financial statements.

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